

# Office of the Legislative Auditor

State of Montana



Report to the Legislature

June 1995

## Performance Survey Report

### Montana State Prison Industries Department of Corrections and Human Services

This survey report:

- ▶ Compares prison industries operations to statutory requirements and American Corrections Association criteria for correctional industries.
- ▶ Provides information on prison industries programs.
- ▶ Concludes program controls are in place and no additional performance audit work is necessary at this time.

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## PERFORMANCE AUDITS

Performance audits conducted by the Office of the Legislative Auditor are designed to assess state government operations. From the audit work, a determination is made as to whether agencies and programs are accomplishing their purposes, and whether they can do so with greater efficiency and economy. In performing the audit work, the audit staff uses audit standards set forth by the United States General Accounting Office.

Members of the performance audit staff hold degrees in disciplines appropriate to the audit process. Areas of expertise include business and public administration, statistics, economics, computer science, communications, and engineering.

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# **Office of the Legislative Auditor**

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## **Performance Survey Report**

### **Montana State Prison Industries, Department of Corrections and Human Services**

Members of the audit staff involved in this survey were Jim Nelson, Kent Rice, and Tom Cooper.



# Office of the Legislative Auditor



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June 1995

The Legislative Audit Committee  
of the Montana State Legislature:

This is our performance survey of the Montana State Prison Industries program in the Department of Corrections and Human Services. This report contains information on the operation of industries programs. Based on our survey of program controls and performance measures, we do not recommend additional performance audit work at this time.

We wish to express our appreciation to personnel throughout the department for their cooperation and assistance.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seacat", followed by a long, sweeping horizontal line that extends to the right.  
Scott A. Seacat  
Legislative Auditor



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## **Appointed and Administrative Officials**

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Ron Paige, Manager, MSPI Ranch

Dave Watkins, Manager, MSPI Vocational Training

Wes Estep, Manager, MSPI Industries Complex



# Chapter I - Introduction

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## Introduction

Section 53-1-301, MCA, authorizes the Department of Corrections and Human Services to establish industries which produce or manufacture products and services to assist in rehabilitating residents in Montana institutions. According to statute, industries' training and experience can include: cultivation, repair, construction, refurbishment, and services related to crops, livestock, furniture, office and electrical equipment, and motor vehicles.

Statute authorizes the department to use contracts and establish prices to maximize the amount of work available for inmates. Statute encourages, but does not require, state agencies, local governments, and school districts to use industries' products and services. Livestock, agricultural products, and manufactured products such as furniture, signs, and print products may be sold on the open market.

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## Audit Planning Indicated Survey Appropriate

In 1994, the Legislative Audit Committee requested a performance audit of the Montana State Prison Industries (MSPI) program. Our preliminary planning work indicated program management controls are in place. Therefore, to effectively utilize audit resources, we conducted a performance survey to determine if there was a need for audit work.

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## Survey Objectives

The survey objectives were to:

- Determine the need for conducting performance audit work in areas warranting evaluation.
- Obtain data for an informational report to the legislature regarding MSPI.

To determine the need for performance audit work, we compared MSPI operations with requirements of Montana statute which establish the industries program. We also considered criteria from the American Correctional Association (ACA), a nationally recognized oversight organization. ACA Standards for Correctional Industries include criteria for inmate management, program management and

## Chapter I - Introduction

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operational controls, marketing and sales, advisory councils, and program success indicators.

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### Survey Scope and Methodologies

Inmates are assigned to a variety of Montana State Prison support and maintenance jobs as well as to MSPI production and training positions. MSPI competes with these other prison requirements for inmates who are eligible for work assignments because of security classification. We did not review prison institutional support positions in this survey.

We observed MSPI production and training activities and interviewed management and supervisory staff. We interviewed selected inmates assigned to MSPI programs. We reviewed MSPI file documentation for product and service work orders, supplies and materials purchases, inventories, and cattle and dairy sales.

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### Survey Areas and Methodologies

We reviewed statutes and rules, audit reports of other states' prison industries, and available literature regarding industries program alternatives. We established five areas for survey evaluation. These five areas included:

Inmate Management - We examined inmate application, screening, and classification processes to determine procedures for matching inmate skills with available jobs or training. We assessed inmate supervision during training and production. We reviewed inmate pay, good time, and evaluation documentation.

Operational Controls - We reviewed daily procedures and work schedules for Ranch, Vocational Training, and Industries Complex activities to determine the level of operational control. We evaluated purchasing and inventory procedures.

Marketing and Sales - We reviewed product marketing procedures to determine sales viability. We examined product work order processing to verify production controls.

Advisory Councils - We examined statutory criteria for the Montana State Prison Ranch Advisory Council and the Vocational Training and Education Advisory Council, interviewed members, and observed meetings to determine council roles.

Program Performance Indicators - We considered MSPI impact on: reducing inmate idleness, reducing reliance on other prison services, establishing skills for post release, and recidivism. We examined self-sufficiency of Ranch, Vocational Training, and Industries Complex activities.

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### Report Organization

Chapter II presents background information on MSPI program operations, including mission, goals, inmate utilization, and program funding sources. In Chapter III we address our review of survey evaluation areas, and discuss the decision to pursue or not pursue additional performance audit work. Chapter IV addresses administrative procedures common to all industries activities such as inmate selection for jobs, inmate pay and good time, and materials purchasing. In Chapters V, VI, and VII, we provide more detailed information about supervision, operations, work orders/sales, and inventory controls.

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### Survey Results

We reviewed program controls for inmate management, purchasing and inventory, product sales, and work orders. Additionally, we reviewed use of advisory councils and examined program performance indicators. We found effective controls are in place and MSPI programs meet statutory requirements.



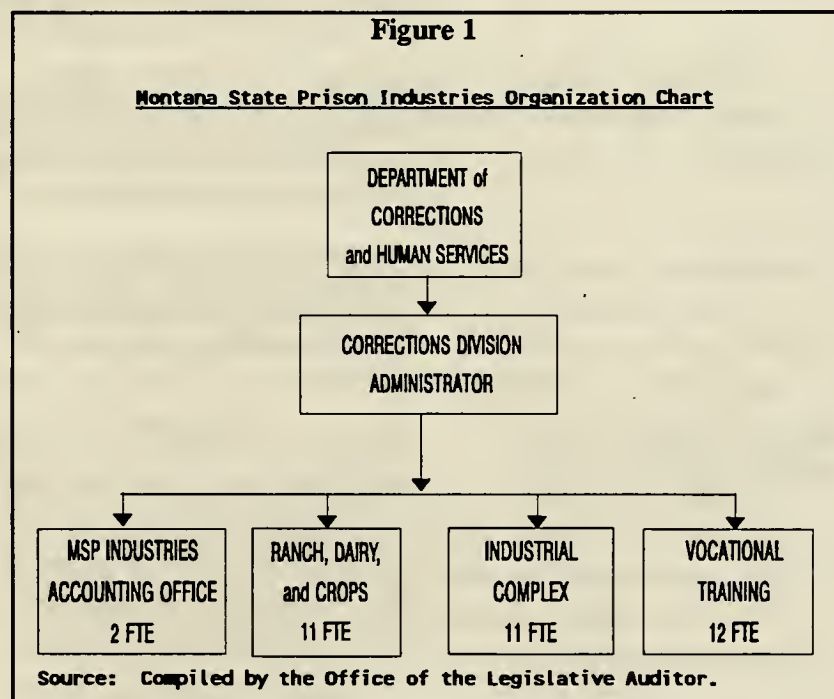


# Chapter II - Background

## Introduction

MSPI programs are located on Montana State Prison lands near Deer Lodge. The land area, commonly referred to as the Prison Ranch, encompasses over 33,000 acres, and includes secure prison facilities. The majority of MSPI's production shops, equipment maintenance facilities, and storage buildings are located adjacent to the central prison complex. While activities related to beef cattle, dairy, crops, logging, horticulture, and meat-cutting are located outside of prison security areas. Other activities related to vehicle maintenance, furniture and upholstery, license plates, signs, printing, and surgical gowns are located inside a secure area.

The MSPI program is administered by the Department of Corrections and Human Services, Corrections Division. A total of 36 full-time equivalent (FTE) staff oversee MSPI activities. Program managers are assigned to each of the three primary programs, and supervisors are responsible for directing and controlling day-to-day inmate work and training activity. Two FTE are assigned to fiscal accounting for all MSPI activities. The following figure reflects MSPI programs and FTE positions.



## Chapter II - Background

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### MSPI Mission

The overall MSPI mission is to train eligible inmates and teach them marketable skills, while providing quality products and services. To accomplish its mission, MSPI has established several objectives:

- Create an optimum number of jobs and assign inmates to meet production goals,
- Evaluate inmate performance and teach good work habits and skills for post-release,
- Establish efficient shops which produce and deliver quality products,
- Maintain fiscal solvency and establish cost savings to Montana taxpayers, and
- Review opportunities for expansion which effectively use more inmates, but do not unfairly compete for market share.

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### Three MSPI Programs

MSPI consists of three distinct programs:

Ranch program provides dairy products to state institutions and beef cattle, barley, and surplus milk to the open market.

Vocational Training program provides equipment and vehicle repair to state agencies, meat and vegetable products to state agencies, and telemarketing services to Montana Travel and Promotion, Department of Commerce.

Industries Complex program provides manufactured products (furniture, upholstery, print, signs, logs, sewn goods, license plates, fencing, and firewood) to state agencies, local governments, and a retail dealer network.

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### Program Managers Set Goals to Support Mission

Managers of all three programs (Ranch, Vocational Training, and Industries Complex) set individual goals to support MSPI mission and objectives. The goals change based on inmate availability and the fluctuation of market prices for goods and services. At times, increased sales and inmate utilization may be the goal. Sometimes, a profit increase to replace aging equipment may be the goal.

### **Ranch Goals**

Ranch goals tend to reflect increased profitability and production to create an inmate work and training environment. To support the MSPI mission, the Ranch attempts to use range and crop resources to maximize production of beef cattle and dairy products. Ranch management is based on the capability of available resources (soil and water) to produce cattle feed (pasture and harvested), which determines the number of beef cattle. Similarly, these same resources determine the number of dairy cattle. The milking facility capability is also a factor influencing dairy herd size.

Many production decisions are influenced by the ability to use inmates. For example, the decision to irrigate crops with sprinklers was a key to increased profitability for the Ranch. Hand-moved irrigation lines were selected because they helped improve profitability and involved more inmates.

Ranch managers are revising the Ranch's approach to beef cattle production by reducing the number of calves fed during the winter and yearlings kept on summer grass, and increasing cows for breeding/calving. Managers expect to enhance profit by fattening calves for a shorter period, but raising more cows and selling more calves over the long run.

### **Vocational Training Goals**

The MSPI Vocational Training program combines classroom training, on-the-job training and production experience. Inmates have an opportunity to learn job skills while acquiring a work ethic and positive self-image.

One goal of the Vocational Training program is for supervisors to spend at least 25 percent of their time in the classroom and 75 percent in on-the-job training and production (customer work). This goal helps assure production priorities do not detract from formal inmate training.

### **Industries Complex Goals**

Industries Complex goals support MSPI's mission by: using significant numbers of inmates, reducing idleness and dependence on prison services, providing work habit and skills training, and providing quality products. The Industries Complex has a self-sufficiency goal and a goal to reduce taxpayer burden by reducing the cost of goods and services used by state agencies.

## Chapter II - Background

### MSPI Inmate Utilization

For Montana, the percent of inmates assigned to MSPI activities has approached 20 percent for several years. The number of inmates assigned to industries in other states ranged from 4 to 10 percent of the prison population.

### Assignments for Production and Training

An average of 217 inmates were assigned to MSPI on a full-time basis during the past three years. The number of inmates assigned may vary day-to-day, and seasonal requirements such as haying, harvesting, and irrigation can add 35 to 60 inmates. The following table reflects inmate production and training assignments by work area.

Table 1

Inmate Production and Training Assignments  
(Calendar Years)

Work Area	1992	1993	1994
Range Cattle	9	8	9
Dairy	22	22	24
Crops	24	22	17
Delivery	1	1	1
Ranch Equipment	3	3	3
Upholstery/Sewing	6	5	11
Furniture	20	26	26
Print	3	4	4
Sign	3	3	3
Surgical Gown	0	0	7
Logging	16	15	12
Firewood	11	11	12
Auto Maintenance	39	34	26
Toyota Project	0	0	2
Horticulture	3	3	3
Meat-cutting	23	19	19
Telemarketing	6	8	9
License Plate	15	14	14
Business Skills	13	17	17
Total	217	215	219

Source: Department of Corrections and Human Services.



### Program Funds

Ranch and Industries Complex operations are funded through proprietary funds because these two programs are required to be self-sufficient. Funds are generated through sales of goods and manufactured products such as beef cattle, dairy products, furniture and upholstery goods, logs and firewood. According to statute, the Vocational Training program need not be self-sufficient and is funded through a combination of General Fund and internal service funds. The state General Fund supports training programs, \$168,555 for fiscal year 1993-94, while sales of goods and services generate revenues. Vocational training sales include vehicle and equipment maintenance, meat products, and vegetables. The license plate activity also receives General Funds, \$486,395 for fiscal year 1993-94. MSPI manufactures license plates for counties through the Department of Justice, Motor Vehicle Division.

The following table compares Proprietary Fund operating revenues to expenses for fiscal years 1992-93 and 1993-94.

Table 2			
<u>MSPI Proprietary Funds</u>			
		<u>Operating Revenues</u>	<u>Operating Expenses</u>
Ranch	FY 93	\$1,730,578	\$1,148,822
	FY 94	\$2,354,015	\$2,374,589
Industries Complex	FY 93	\$1,688,546	\$1,617,451
	FY 94	\$1,664,781	\$1,555,175
Vocational Training	FY 93	\$ 277,597	\$ 284,671
	FY 94	\$ 338,169	\$ 263,105
Source: Department of Corrections and Human Services.			

Program fund balances as of June 30, 1994 were:

Ranch	\$6,791,468
Industries Complex	\$1,329,273
Vocational Training	\$ 124,956

Fund balances include the value of inventories, equipment, and facility assets, as well as cash reserves.

## Chapter II - Background

### MSPI Sales Summary

During the survey, we reviewed industries' sales activity for three years to parties outside of the department. The following table compares outside sales activity for fiscal years 1991-92, 1992-93, and 1993-94.

**Table 3**

**MSPI Outside Sales  
(Gross)**

	Fiscal Year 1991-92	Fiscal Year 1992-93	Fiscal Year 1993-94
Dairy	\$1,064,436	\$1,150,697	\$1,138,875
Ranch (1)	1,417,367	114,793	903,400
Upholstery	349,017	487,424	402,290
Furniture	440,525	499,834	459,886
Print	53,367	80,331	70,942
Sign	51,375	53,519	55,851
Logging/Firewood	325,190	384,580	497,918
Telemarketing	49,012	61,506	64,680
Vehicle Maintenance(2)	197,196	225,444	286,491
License Plates(3)	17,760	12,274	10,302
Horticulture	26,482	27,099	21,985
Surgical Gowns	0	0	28,734
Total	<u>\$3,991,727</u>	<u>\$3,097,501</u>	<u>\$3,941,354</u>

- 1) Due to drought conditions, there were two cattle sales in 1992 and none in 1993.
- 2) Includes labor surcharges for internal services.
- 3) Collegiate plate program.

Source: Department of Corrections and Human Services.

### Estimated Agency Savings

One of the MSPI objectives is to establish cost savings to the Montana taxpayer. By purchasing lower cost MSPI products and services, state agencies can achieve savings. Agency savings estimates are published in an annual report prepared by MSPI. Savings estimates are based on the difference between the MSPI price and a typical commercial product price. For MSPI furniture items, prices are based on labor, material, and overhead (administration and supervision) costs, and a markup, which seldom exceeds 30 percent.



## Chapter II - Background

For some items, MSPI savings estimates are more precise. For example, milk prices to state institutions are 10 percent under Board of Milk Control prices. By reviewing MSPI methodology, we determined both the approach and estimated savings are reasonable. The following table reflects estimated savings for fiscal years 1992-93 and 1993-94.

**Table 4**

**Estimated State Agency Savings**

<u>Activity</u>	<u>Fiscal Year 1992-93</u>	<u>Fiscal Year 1993-94</u>
Dairy Products	\$ 49,000	\$ 45,000
Industries (1)	310,000	290,000
Vehicle/Equipment Repair	286,737	253,658
Meat/Vegetables	8,000	15,348
Total (2)	<u>\$653,737</u>	<u>\$604,006</u>

Notes: 1) Furniture, upholstery, sign, print, and logging products.

2) In addition to estimated agency savings, the General Fund earned approximately \$50,000 in fiscal year 1992-93 and \$75,000 in fiscal year 1993-94 in interest on MSPI Proprietary Fund moneys in the state treasury.

Source: Department of Corrections and Human Services.

### **Federally Certified Program Offsets Incarceration Costs**

The department can obtain federal certification of prison industries activities for access to interstate markets. Requests for federally certified programs have to be submitted to the U.S. Department of Justice. MSPI's only federally certified activity is the manufacture of disposable surgical gowns. Certification requires payment of the federal minimum wage. Certification also allows deduction of a portion of wages for incarceration costs and for the State Victim's Compensation Fund.



# Chapter III - Assessment of MSPI Programs

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## Introduction

This chapter reports on our initial assessment of MSPI programs.

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## Assessment Criteria Included Other Considerations

The primary criteria for our assessment was Montana statute and ACA Standards for Correctional Industries. In order to assure a more comprehensive review, we also considered other factors which affect program operations, such as market price changes, inmate population variation, or prison cost increases. We found these factors affect self-sufficiency, inmate work assignments, agency purchases of prison goods, and product price setting. The following sections assess these areas, and provide discussions of factors that impact the ability of industries programs to meet goals and objectives.

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## Self-Sufficiency Attained

We examined the concept of self-sufficiency because many of Montana's industries' activities are legislatively mandated to be self-sufficient. We found MSPI achieves self-sufficiency where mandated, and continues to use more inmates as a percentage of prison population than many other states.

For most small businesses to become self-sufficient, mechanization, automation, or streamlining is necessary. In contrast, a common prison industries' goal is to utilize as many inmates as possible to reduce inmate idleness and lessen the burden on internal prison services. The programs are able to obtain self-sufficiency because even though the programs involve labor intensive activities the cost of inmate labor is comparatively low. However, the department has found other costs and inefficiencies associated with the inmate labor force tend to impact the achievement of self-sufficiency.

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## Low Cost of Inmate Labor Can Be Misleading

Initially, we assumed low cost inmate labor would make self-sufficiency easier to achieve. However, total costs associated with using unskilled and sometimes undisciplined inmate labor can be significant. Equipment breakage rates, and related repair and maintenance costs can be considerably higher than in the private sector. Inmate turnover, due to release and parole, and inter-prison transfers, increases training requirements and the number of

## **Chapter III - Assessment of MSPI Programs**

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inmates required at a time for MSPI program support. Volunteer prison forest fire fighting crews provide an example of MSPI work-schedule interruption which reduces labor efficiency. During fire season, MSPI programs must operate with fewer inmates or inmates with less training to meet ongoing haying, harvest, and shop production schedules. Other inmate requirements such as education, counseling, attorney visits, and medical requirements also impact full-time availability for MSPI positions. According to staff, these costs and inefficiencies tend to offset the advantage of a lower labor rate.

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### **Market Access Impacts Sales and Self-Sufficiency**

While the statute encourages use of industries goods and services by state and local governments, the majority of government purchases are by the department itself. Sales to private entities are limited, with the exception of furniture and upholstery products and cattle. The department's current policy restricts direct competition with local vendors for other products.

We found existing MSPI programs meet self-sufficiency requirements while operating in this market-limited setting. However, circumstances could change which would result in a negative impact on MSPI's ability to meet its goals, including program self-sufficiency. Examples of the impact of these circumstances on MSPI programs are discussed in the following sections. Further audit work is not necessary in these areas. This information is provided to inform the legislature of potential impact.

### **Market Change Can Reduce Self-Sufficiency**

Milk product sales impact MSPI program self-sufficiency. According to MSPI staff, the downsizing of state institutions has already reduced requirements for MSPI milk products. Prison milk requirements have also decreased, even though the number of inmates has increased, because alternative beverages are less expensive. State institutions, local governments, and non-profit organizations pay for milk products based on department policy which prices products 10 percent below Milk Control Board-established retail prices. Profit margin during our audit was approximately three percent. If retail milk product price decontrol results in lower prices, MSPI's ability to provide milk products to these groups under the market price while maintaining self-sufficiency could be impacted.



## Chapter III - Assessment of MSPI Programs

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### Population Increase and Need to Use More Inmates

The prison population has shown a steady increase. Generally, we found available MSPI production facilities are fully utilized, which according to staff has occurred for some time. Major growth or expansion of product lines involving more inmates appears unlikely without facility expansion. Product style changes, which routinely occur for furniture and upholstery items, do not increase overall workload or the number of MSPI-assigned inmates, because older lines/styles are usually dropped. At the time of our audit, MSPI's capability to use significantly more inmates appeared unlikely.

### Increasing Federally Certified Programs

At some point the industries program may need to expand its market. We previously described the federally certified program established by MSPI. While more difficult to establish self-sufficiency because of higher labor rates, these types of programs provide broader market access and potentially more demand. Sales from federally certified programs provide direct support to the cost of inmate incarceration because a portion of inmate wages can be used to offset expenses.

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### Survey Assessments of Program Operations

MSPI evaluates mission effectiveness and goals during assessments of individual programs. The evaluation process results in increases and/or decreases in production for individual programs. These production decisions are based on considerations which relate directly to established mission and goals such as:

- status of self-sufficiency,
- market availability,
- vendor conflict,
- resource alternatives and availability, and
- opportunities to assign inmates to legitimate production or training positions.

We found MSPI regularly reviews its mission and goals. Based upon its review and our work, which is described in the next few sections, we determined there was no need for further audit work in this area.

The remainder of this chapter reflects our assessments of inmate management, operational controls, marketing and sales, advisory councils, and program indicators.

## **Chapter III - Assessment of MSPI Programs**

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### **Inmate Management**

Our assessment of inmate management was based on a comparison of ACA criteria to established MSPI procedures. MSPI supervisors advertise vacant work and training positions, review inmate applications, interview applicants, and select inmates based on experience and qualifications and/or training potential. MSPI developed formal position descriptions for many inmate jobs. Work schedules are based on workload and operations requirements; overtime is seldom used. Pay and good time policies are formal, and staff follow procedures. Inmate evaluations are consistently conducted and documented. Vocational Training assignment requires a GED as a prerequisite; other MSPI assignments allow education and work simultaneously. We determined there was no need for further audit work in this area.

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### **Operational Controls**

Our assessment of operational controls was based on a combination of ACA criteria and formal policy. We found further performance audit work in this area would not be cost beneficial. Inventory controls are in place for large inventories (Ranch warehouse, Industries Complex warehouse, and vehicle maintenance parts).

### **Tool Control**

We noted supervisors were aware of prison tool control procedures and observed tool controls in all areas examined. MSPI tool control is based on prison policy. Each shop/work area has a tool room for controlled items. Daily tool check-out/in procedures require the use of a "chit system" and shadow boards. Chits are numbered and assigned to inmates and supervisors. When a tool is removed from a controlled area shadow board, a chit is placed on the tool location indicating who is responsible for its return. Tools are also color-coded; for example if direct supervision is required, the tool is painted green.

When staff determine a tool is lost, the prison command post is notified, and supervisors are responsible for conducting a thorough search. Supervisors must approve requests to replace lost or broken tools. Program managers also approve tool replacement requests, and copies of requests are provided to prison security. When approved, new tools are ordered, received, and then engraved.

## **Chapter III - Assessment of MSPI Programs**

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### **Materials Purchasing Process**

Supervisors and inmate clerks consistently described purchasing policy and procedures. File reviews reflected compliance with Department of Administration purchasing agreements, department policy, and MSPI procedures. We noted supervisors, and inmates assisting with purchasing, frequently document price quotes for items considerably lower in cost than procedures require documenting. Following vendor selection by a supervisor, inmate purchasing clerks prepare a purchase order and place the order. When materials are received, a supervisor signs for them, and a copy of the purchase order and an invoice or packing slip is forwarded to MSPI accounting for payment.

For more expensive materials (upholstery, hardwoods, plywood, etc.), either price quotes or responses to invitations for bid are documented and the low bidder is selected.

During our file review, we noted sole source purchases are common. For example, chair backs requiring upholstering might be manufactured by only one vendor and, in order to produce the chair, MSPI must order sole source. The Department of Administration purchasing agreement allows MSPI considerable flexibility to respond to sole source business needs in all three areas: Ranch, Vocational Training, and Industries Complex.

### **Inmate Job Turnover**

We noted inmate job turnover was a concern to supervisors, but we did not observe a significant impact of turnover on day-to-day production activity. Based on a limited review of inmate turnover, we found shop turnover varied from 6 to 15 percent each month.

### **Training Program Rules Required**

Section 53-30-133(2)(a), MCA, requires the department to adopt rules to implement the MSPI Vocational Training program. Noncompliance with this requirement was reported in a 1992 Department of Corrections and Human Services financial-compliance audit (92-7) conducted by the Office of the Legislative Auditor. MSPI staff prepared draft rules, but the department has not finalized the rules. This requirement will be monitored through follow-up financial-compliance audits.



## **Chapter III - Assessment of MSPI Programs**

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### **Marketing and Sales**

Our assessment of marketing and sales was based on Montana statute and ACA criteria. MSPI established a marketing function to explore potential product sales opportunities, and developed a formal marketing plan and pricing policy. In accordance with statute, manufactured products, dairy products, and services are sold to state agencies and local government entities, while manufactured and some agricultural products are also sold on the open market. Staff distribute product catalogues, price lists, and bid criteria to designated retail dealers, potential bidders, and state agencies. MSPI established work order and delivery ticket control procedures. Staff were familiar with controls. Our file review found adequate control and process consistency. The customer work order tracking system for manufactured products is well-established and used by staff for workload decision-making. Our file review verified sales are conducted in accordance with established marketing and pricing policies. We determined there was no further need for audit work in this area.

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### **Advisory Councils**

Our assessment of advisory councils was based on ACA criteria. Two advisory councils support MSPI activities: MSP Ranch Advisory Council and MSP Vocational Training and Education Advisory Council. Historically, the Ranch Advisory Council has been involved in major equipment and facility issues, while the Vocational Training and Education Advisory Council has been involved in production changes. These Councils do not have program authority, yet often vote on issues presented by MSPI management. Council votes are not binding on the department, but staff seldom disagree with council consensus.

Ranch Advisory Council membership experience includes a mix of private cattle ranching, dairy operations, and farm/crops management. The Vocational Training and Education Advisory Council is made up of private business members, local citizens, and legislators. According to staff, this Council's advisory responsibilities include industries-related activities for Vocational Training, Industries Complex, the Swan River Correctional Facility, and the Women's Correctional Facility.

## **Chapter III - Assessment of MSPI Programs**

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### **Advisory Council Criteria is Needed**

We noted these two councils were established by the department in accordance with section 2-15-122, MCA. This statute requires the department to prescribe council composition and functions. The department has not established formal council membership criteria. Lack of specific criteria such as member selection, appointment, terms, and required meetings could create opportunities for an inappropriate mix of membership or the appearance of a conflict of interest. We suggested the department establish formal criteria including member selection and terms for both councils. The department has several options for development of criteria including placement in: statute, administrative rule, or department policy. There was no further need for audit work in this area.

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### **Program Performance Indicators**

Our assessment of program performance indicators was based on Montana statute and ACA criteria. We found MSPI managers and supervisors monitor the self-sufficiency status of each activity. The MSPI Annual Report evaluates self-sufficiency, addresses operating cost issues, and provides agency cost saving estimates. Additional cost savings to the taxpayer result from use of MSPI-generated revenue for facilities and equipment.

We observed inmate training and production opportunities in all MSPI programs and noted a commitment by supervisors to teach inmates work ethic. The number of inmates assigned to MSPI programs equates to 18-20 percent of the total prison population. About one-third of the prison population is eligible for MSPI assignment based on security classification. All industries programs provide relief for internal prison services such as security, education, and recreation. We determined there was no further need for audit work in this area.

### **Recidivism Rate is Lower**

Recidivism is the term used to reflect the return of inmates to prison following parole or release. We found available literature for industries programs divided on whether work programs increase or decrease an inmate's likelihood of returning to prison. Our review of recidivism was limited to examination of a department study covering MSPI-assigned inmates from July 1990 through March 1994. The report reflects a recidivism rate of approximately 14 percent. Our review of nation-wide data indicates rates of 30 percent are common.

## **Chapter III - Assessment of MSPI Programs**

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### **Our Survey Assessment Indicates Standards Met**

We found established MSPI programs provide legitimate training, production experience, and work habit skills. MSPI programs have an impact on inmate idleness and provide relief for other prison services. Where required, MSPI programs achieve self-sufficiency, and create savings to state agencies and Montana taxpayers. Based on our survey audit work, we believe MSPI meets ACA standards. As a result, we do not recommend additional performance audit work regarding MSPI programs.

The remaining chapters provide the reader with additional information on individual industries program administrative processes and procedures such as inmate selection for jobs, inmate pay and good time, and materials purchasing. These chapters also address inmate supervision, activity operations, work order/sales, and inventory controls for the three MSPI programs: Ranch, Vocational Training, and Industries Complex.

# Chapter IV - Program Administration

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## **Introduction**

This chapter describes processes and procedures established by MSPI to select and assign eligible inmates, pay inmates, evaluate inmate work performance, purchase materials, and control tools and equipment.

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## **Inmate Work Selection Process**

Prison security classification determines eligibility of inmates for MSPI, as well as other prison support jobs, by establishing the level of supervision required. If inmates require direct supervision, access to MSPI jobs is very limited. Inmates who do not require continuous supervision are eligible for most MSPI production and training positions. Approximately 278 MSPI inmate jobs and training positions are available. Some of these positions only offer seasonal assignment.

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## **Inmates Submit Applications**

Inmates become aware of MSPI jobs either through vacancy announcements or from other inmates working within MSPI. Inmates prepare applications which indicate qualifications. MSPI supervisors review applications to assess inmate qualifications. Usually, supervisors conduct interviews to verify qualifications and occasionally administer a test to determine specific skills such as welding or maintenance expertise. If an inmate meets MSPI qualifications, the prison security classification group has to approve the assignment. MSPI also receives a list of inmate security classification changes which it uses to identify potential applicants for future requirements. Inmate prison records are available to supervisors for review. Supervisors can request transfers of inmates between various MSPI programs. The classification group also approves these reassignments. Many inmates are assigned to production activities based on experience acquired prior to incarceration.



## **Chapter IV - Program Administration**

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### **Inmate Pay Process**

The department pays inmates from sales revenues. Inmate pay is based on: knowledge, skill, attitude, physical effort, responsibility, and regard for safety. Inmates are paid a wage commensurate with the production function, but are not classified as employees and employment rights do not apply.

MSPI established a formal policy for inmate pay, which defines skill levels, inmate grades, and pay rates. Supervisors track work hours or days for assigned inmates. Pay forms are signed by supervisors and forwarded to MSPI accounting staff for verification of pay rates, clothing allowance, and sick leave accumulation. Payroll summaries are reviewed by accounting staff and program managers. Staff stressed there are three to four checks for accuracy. Requests for inmate pay increases are submitted by supervisors and approved by program managers. Inmates accumulate sick leave based on formulas for either daily or hourly pay rates.

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### **Ranch Workers Receive Daily Pay**

Ranch pay schedules are based on daily pay, rather than hourly rates, because of work schedule variations associated with ranch operations. If an inmate works, he receives payroll credit for an entire day, regardless of actual hours worked. Ranch pay ranges from \$3.00/day for entry level inmates to \$6.10/day for inmates with special skills and abilities.

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### **Vocational Training Pay is Tracked by Time Clock**

Inmates assigned to Vocational Training use time clocks to document work hours. The time clock system tracks inmate training and production hours. Newly assigned inmates work at least two pay periods (four weeks) in probationary status at the entry wage before being considered for promotion. After probation, staff evaluate inmate skills for promotion to the appropriate level and pay scale. Vocational Training pay ranges from \$.31/hour for trainees to \$.70/hour for inmates with special skills.

## **Chapter IV - Program Administration**

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### **Industries Complex Workers Paid by the Hour**

Industries Complex supervisors fill out time sheets based on the number of hours inmates are in the shop. Industries Complex pay ranges from \$.31/hour to \$1.20/hour for inmates who perform custom work and require minimal supervision.

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### **Majority of Inmates Paid from Sales Revenue**

Inmate wages are paid from revenue earned by the shop/activity, with the exception of the license plate activity which receives General Fund money. Department motor vehicle maintenance customers pay an annual surcharge to cover labor costs. Other maintenance customers pay a \$3.00/hour labor rate. The Ranch, Vocational Training, and Industries Complex use a revolving fund for inmate wages.

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### **Inmate Evaluation, Promotion, and Termination**

Supervisors prepare monthly evaluations to document inmate work and training performance. Evaluations are one basis for determining the need for termination from a MSPI assignment. Supervisors can change evaluation frequency to weekly or even daily if necessary to document inmate performance. Inmates sign and receive copies of evaluations.

Evaluations reflect a rating which indicates whether an inmate should receive good time credit for the number of days worked. Inmate good time is used to justify early release. Evaluations are only one criteria for good time; prison classification staff determine the appropriateness of awarding good time based on all inmate activity, not just MSPI-related work or training. Inmates can contest good time decisions through established prison due process procedures.

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### **MSPI Job Termination is Unusual**

According to staff, termination does not occur very often. Typically, inmates are not terminated from MSPI jobs because of limited productivity or work performance. If an inmate has violated security or safety related rules, then termination from an MSPI assignment is a possibility. The prison inmate due process system, which can result in a security classification change, is responsive to such issues. Inappropriate response to supervisory requests is also a reason for termination. If an inmate is

## **Chapter IV - Program Administration**

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terminated from a MSPI position, there is a mandatory six-month layoff from any MSPI assignment.



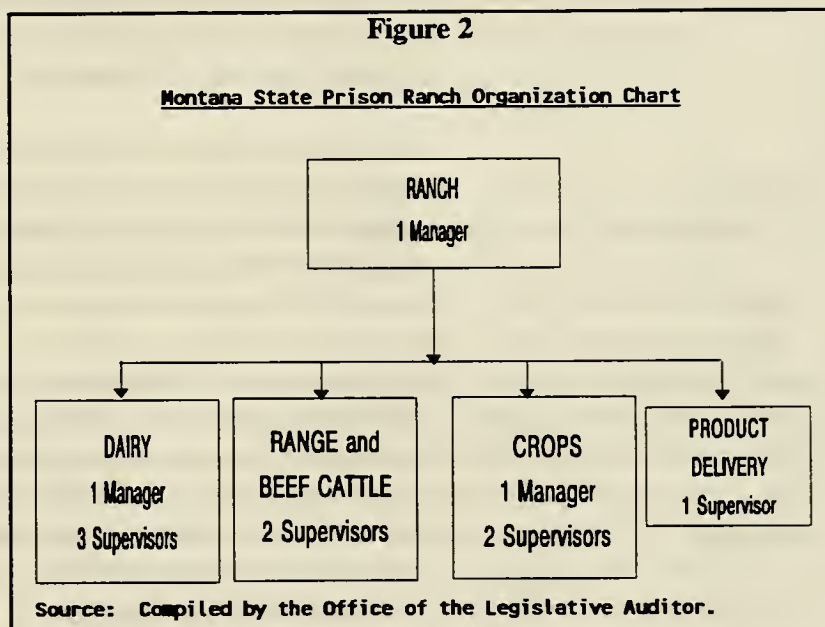
# Chapter V - MSP Ranch Program

## Introduction

This chapter provides information on Ranch organization, inmate supervision, Ranch operations, beef cattle and dairy product sales, and inventory controls. For fiscal year 1993-94, the Ranch produced over 7,000 tons of hay and 980 tons of silage. The dairy's annual raw milk production reached 5,682,000 pounds. Total cattle inventory approaches 4,800 head -- 4,300 beef and 500 dairy.

## Ranch Organization

Three managers and eight supervisors provide oversight of Ranch program activities. The following figure reflects Ranch activities and manager and supervisor positions.



## Inmate Supervision

Ranch supervisors, because of their agricultural backgrounds, accept long hours and work overtime as necessary to react to ranch, dairy, or farm priorities. The Ranch manager evaluated the trade-off between overtime and additional supervisors. Overtime appears to provide the most efficient payback because of communication problems associated with changing inmate supervisors during a work shift. MSPI-assigned inmates are not restricted to an eight-hour day. It is more efficient and inmate training more realistic

## **Chapter V - MSP Ranch Program**

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when inmates work a typical ranch, farm, or dairy day rather than conduct shift changes to cover requirements. Security also influences the need for consistent supervisory control. Five of eleven managers and supervisors live on prison property in Ranch-provided housing. The housing contract requires supervisors to respond to agricultural requirements and prison emergencies.

The Ranch manager oversees all crop, cattle, and dairy planning, and major construction projects such as the recently completed dairy sewage lagoon. An assistant ranch manager is responsible for crops, but also supervises beef cattle activities. Four cattle and crop supervisors divide responsibilities for beef cattle feeding, calving, medication, cattle movement, fencing, selection of bulls and horses, crops, equipment maintenance, and feed lot operations. During the summer, in addition to cattle movement, haying, and harvest activities, a crew of 10 to 15 inmates moving hand line sprinkler pipe must be supervised.

The dairy manager is responsible for overall dairy operation. Three dairy supervisors are responsible for: 1) milk processing plant, 2) calf/heifer program, and 3) milking and feeding program. Supervisors oversee daily inmate milking operations for up to 275 cows, three times each day, seven days a week.

The Ranch operation includes a delivery truck. A supervisor and an inmate assistant are responsible for product deliveries. Milk product deliveries to customers are scheduled two days each week. Some dairy customers also buy MSPI meat and vegetable products and the truck is used to deliver these products. During the remainder of the week, the truck is scheduled for furniture and upholstery product delivery.

### **Supervisors Determine Daily Work Assignment for Inmates**

For Ranch positions, only dairy operations have a semi-structured process for moving through various jobs such as calving, feeding, milking, and milk processing. For the remainder of ranch activities, supervisors assign inmates to work wherever necessary, depending on weather, harvest crop, calving, or other ranch priorities. Inmates are trained by supervisors and/or other inmates prior to job assignments such as equipment operation, cattle feeding, and calving.

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### **Ranch Operations**

Ranch inmates work a daily schedule and shift work hours are not tracked. Staff believe short days balance with long days and some inmates, although scheduled for six days, routinely work seven days per week, typical of most ranch, dairy, and farm operations.

Dairy milking is a three-shift operation, feeding is a two-shift activity, and calving is covered by inmates scheduled for two long shifts. The dairy's milk processing plant usually operates one shift. MSPI dairy products include: whole, low fat, and skim milk, cream, cottage cheese, ice cream, and yogurt. Milk products are delivered to locations such as Swan River Correctional Facility, Montana Developmental Center (Boulder), Women's Correctional Center (Billings), Mountain View School (Helena), Montana Veteran's Home (Columbia Falls), Montana State Hospital (Warm Springs), Missoula County Jail, and Center for the Aged (Lewistown).

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### **Dormitory Provides Flexibility to Meet Agricultural Requirements**

Many ranch and dairy inmates live in a facility known as the honor dormitory, which is outside of the secure area. The dormitory provides bed space for 52 inmates. Prison security staff are assigned to the facility 24 hours a day. The only inmates eligible for the honor dormitory are those who do not require continuous direct supervision. The prison classification group approves inmate assignment to the honor dormitory. Eleven other Ranch inmates live in rooms adjacent to significant ranch activities such as calving pens, feed lot, and equipment maintenance. These inmates have earned the highest level of trust and are responsible for responding to requirements in these areas when necessary. Other Ranch inmates reside in the secure area. Supervisors are responsible for daily inmate check-out/in from both the secure area and the dormitory.

The existing dormitory facility (trailers) is scheduled for replacement, with construction to start during 1995. Initial phases of construction will be funded with Ranch proprietary funds, approximately \$940,000. Total cost is currently estimated at \$1.4 million.

## **Chapter V - MSP Ranch Program**

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### **Cattle Sales Process**

Beef cattle (yearlings and calves) are sold through a bid process. Bid prices reflect existing market prices. MSPI provides beef cattle sale information to bidders through an established bid mailing list. MSPI managers open bids and Ranch Advisory Council members are contacted for an opinion on bids. Department staff review bids and approve bidder selection. While concerned about market impact, staff do not believe Ranch beef cattle sales significantly affect the Montana cattle market. Even though an annual yearling sale may approach 1,000 head of cattle, the relative impact to total cattle sales in the state is small.

Other cattle, including dairy and beef cattle culls, are sold through local auction. Auction market price depends on the quality of the culls. Culls are trucked to auction about once a month by Ranch supervisors. Most culls are selected in the fall, following pregnancy testing. Others are selected throughout the year if injured or sick. Dairy heifer and cow sales follow the same bid procedure as beef cattle, only the bidder mailing list is different. The Ranch also sells dairy bull calves on a bid basis. Most contracts for bull calves are set up so buyers pick up calves when ten are available.

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### **Dairy Sales can Impact Market**

Dairy product sales appear to be more complicated than cattle sales, because of the potential impact to other Montana milk producers and the relationship to the Montana Milk Control Board. Since the MSPI dairy ranks as one of the top producing dairies in the state, the production of raw milk or processed dairy products could impact the open market.

About 30 percent of the dairy's current raw milk production is processed for sale to state institutions and local government entities. The remaining 70 percent is sold as raw milk to a commercial processor. In recent years, MSPI provided excess milk to four different dairy processing facilities. In three instances, the facilities ceased operations leaving MSPI with an unpaid balance for excess milk already delivered. In 1991, MSPI petitioned the Milk Control Board and received approval to sell class I milk in Montana. Although controversial, the MSPI dairy's acquisition of a milk quota was enhanced because other Montana



## **Chapter V - MSP Ranch Program**

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dairies had been impacted by processing plant closures and all needed Board assistance.

### **Processing Plant Underutilized**

One department objective is to avoid competition which unfairly competes for market share. The department does not want to compete with local milk product vendors. This is the reason excess milk is sold to a commercial milk processor rather than expanding product sales using the MSPI processing plant and inmate labor. The MSPI plant has considerable additional processing capability.

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### **Dairy Sales Process**

Typically, state institution officials order milk products by signing an order form carried by the MSPI delivery truck supervisor. Order forms which identify dairy product requirements are approved by the processing plant supervisor. Production is scheduled by the plant supervisor to meet all customer orders, including the prison. Following production, dairy products are delivered to all customers, except the prison, which picks up products from the plant. Customers sign for products and copies of delivery tickets are forwarded to the MSPI accounting function for order reconciliation and billing.

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### **Ranch Inventory**

Ranch supplies, including feed, seed, fertilizer, and fencing and construction materials, are stored in a central warehouse. An inmate inventory clerk receipts, unloads, and accounts for incoming items. Supervisors conduct checks to verify receipt and control. The value of warehouse inventory is about \$100,000, depending on the on-hand quantities of feed corn and seed. Minor farm equipment repair parts, such as blades for mowers, filters, and nuts and bolts used for daily maintenance and repair are maintained in a separate inventory at an equipment maintenance facility. Quarterly physical counts of Ranch inventories are conducted by inmates and verified by supervisors.

For livestock, MSPI maintains a perpetual inventory. The market value of the Ranch livestock inventory at the end of fiscal year 1993-94 was approximately \$2,729,000. Inventory counts are recorded whenever sales or losses occur or when calves are born,

## **Chapter V - MSP Ranch Program**

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tagged and branded. According to staff, annual sales counts for beef cattle indicate perpetual inventory accuracy is consistent.



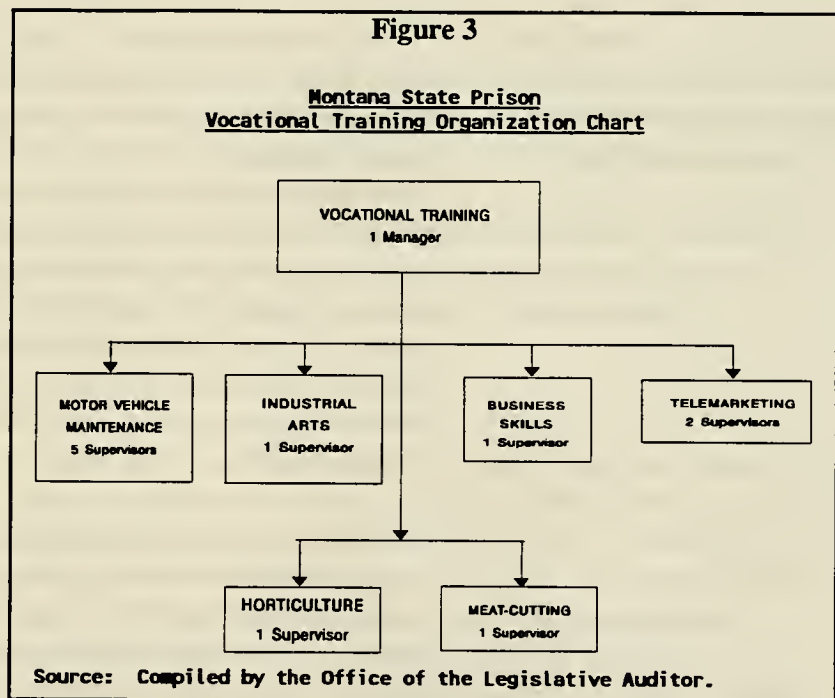
# Chapter VI - Vocational Training Program

## Introduction

This chapter provides information on Vocational Training inmate supervision, shop operations, products and services, and inventory controls. Vocational training provides production and training which supports product and service sales for equipment and vehicle repair, telemarketing, horticulture, and meat-cutting. Vocational Training achieved its highest sales level ever during fiscal 1993-94, \$338,165.

## Vocational Training Programs

One manager and eleven supervisors provide oversight of Vocational Training program activities. The following figure reflects Vocational Training activities and manager and supervisor positions.



## Vocational Training can Lead to Work Assignment

The only MSPI criteria for acceptance into Vocational Training is a high school diploma or GED. Vocational Training has a number of inmate positions to support vehicle maintenance, meat-cutting, and garden crops. Inmates are frequently assigned to these positions following completion of prerequisite MSPI vocational

## **Chapter VI - Vocational Training Program**

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training. Inmates receive certificates for vocational training programs completed.

Vocational Training course work is not intended to provide skills which lead to immediate post-release employment. Course work is designed to stimulate interest and establish prerequisites for more formal vocational training or apprenticeship programs upon release. Supervisors have initiated two programs to record vocational training accepted by the private sector. One is an apprenticeship program for parts accounting and heavy equipment and truck maintenance. The other is a maintenance certification program used by vocational and technical training schools nation-wide. During our survey, both programs were in preliminary development phases, but supervisors hope the programs will motivate MSPI-assigned inmates and help with post-release employment.

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### **Maintenance Activities Include Industrial Arts and Business Skills**

The Motor Vehicle Maintenance Section includes business skills and industrial arts activities. Supervisors are responsible for agricultural equipment, automotive, heavy equipment (logging), paint and body work, tire repair, and small engine maintenance. In addition, industrial arts (welding, drafting, and machine shop) is available to support production shops and inmate training requirements. Business skills are taught for activities related to maintenance shop operations such as parts control, inventory management, and purchasing procedures. The business skills course focuses on computer usage and fundamental accounting and control procedures.

Equipment and vehicle maintenance and repair workload is based on the needs of department vehicle fleets and MSPI Ranch and logging equipment. Staff indicate over 400 total vehicles and gas engine equipment are maintained for the department. Excess production capability has been used for special projects supporting other state agencies or occasionally local government entities. The prison pays an annual labor surcharge and is billed directly for parts and materials based on MSPI cost. For fiscal year 1993-94, motor vehicle maintenance documented over 33,000 labor hours. Non-MSP state entities and local governments are charged for labor at \$3.00 an hour, plus parts and materials. Profits from non-MSP projects are used for new tools or equipment.

## **Chapter VI - Vocational Training Program**

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### **Automotive Project Offers Unique Training**

A unique automotive Vocational Training program involves a major automotive company. Through a contract, inmates manufacture maintenance and repair training aides and simulators for public and private schools supported by the company. The company supports the project by paying for work completed and through donations which have included facility modification funds, computers, and funds for tools and equipment. This program provides inmates opportunities to work with state-of-the-art equipment. Vehicles and components are provided by the company.

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### **Telemarketing**

Telemarketing activities are supervised in the vehicle maintenance facility and in the high security area of the prison. In the high security area, inmates require direct full-time supervision. Five work stations are available and can be monitored by one supervisor. In the maintenance facility, two work stations are available. High security inmates log requests for promotional materials. Lists of requests are provided to Department of Commerce staff in Helena where promotional materials are packaged and mailed. Low security inmates log requests and package and mail materials. Supervisors cross-check mailing lists and spot check materials and packaging. During fiscal year 1993-94, telemarketing handled 346,876 mail and phone requests for Montana promotional materials.

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### **Horticulture Training and Production**

Inmates work in garden plots from spring planting through fall harvest. A supervisor teaches horticulture classes during the winter and summer. The garden activity operates its own farm equipment, separate from MSPI's ranch operation. The primary crop is potatoes, but depending on the growing season and weather, carrots, broccoli, onions, and cabbage may be harvested. Some fruit such as raspberries and strawberries are also grown. Potatoes are stored and sold to customers, primarily the prison. Stored potato quality begins to deteriorate by April of each year, so inmates process potatoes during the winter, making hashbrowns which can be frozen and stored. According to staff, additional horticulture production would require a greenhouse. While a greenhouse could support prison and other institutional food needs,

## **Chapter VI - Vocational Training Program**

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it would not provide a vocation consistent with potential employment in Montana.

Vegetables are sold to the prison, Women's Correctional Center, Swan River Correctional Facility, Montana Veteran's Home, Montana Developmental Center, and Montana State Hospital. During our survey, staff were investigating the possibility of commercial sales or donation of potatoes and/or hashbrowns to nonprofit organizations because of a 1994 surplus which might otherwise be wasted. Over 161,000 pounds of potatoes were processed by MSPI during fiscal year 1993-94. While vegetable prices fluctuate, MSPI charges about 10 percent above the existing wholesale rate to cover costs.

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### **Meat-Cutting Training and Production**

The prison provides quarterly meat menus, and the meat-cutting supervisor selects standard grade beef and pork halves from commercial vendors. The prison warehouse makes meat purchases. The supervisor schedules meat cutting to support prison menu requirements. A one-month supply of meat for the prison is maintained in storage. The program manager and supervisor track meat-cutting efficiency with a summary report which distinguishes between salable cuts and waste and fat. The report is used to monitor inmate efficiency. The supervisor teaches a prerequisite meat-cutting course three days a week; the complete course takes about 20 weeks and includes on-the-job training. Following course work, inmates can transfer into specialized production and processing jobs (smoked meats, lunch meat, hot dogs, etc), and eventually to production monitoring and quality control positions.

The majority of meat-cutting products are sold to the prison. In addition, meat products are sold to Swan River Correctional Facility and Montana Veteran's Home in Columbia Falls. Management is considering sales to the Women's Correctional Center in Billings. Approximately 290,000 pounds of beef and 94,000 pounds of pork were processed by MSPI during fiscal year 1993-94.



## **Chapter VI - Vocational Training Program**

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### **Vocational Training Operations**

Vocational Training vehicle maintenance and meat-cutting inmates are scheduled for eight-hour days, five days a week. Horticulture scheduling requires some flexibility, because weather impacts planting, cultivating, and harvesting. During vegetable harvest, inmates may be scheduled for ten-hour days, seven days per week.

In vehicle maintenance shops, supervisors assign an inmate lead-worker to help maintain production schedules when supervisors are teaching class. Other supervisors in the shop areas are responsible for production oversight when classes are in progress.

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### **Vocational Training Work Orders**

Equipment and vehicle maintenance production requirements are assigned a work order number. The customer, usually a prison official, signs the work order authorizing the repair and/or maintenance. Following a determination of repair and maintenance requirements by MSPI inmates, supervisors conduct a reasonableness check to verify parts and materials correspond to repair and maintenance needs. Inmate purchasing clerks collect price quotes and following supervisor approval, order parts. If a part costs more than \$10.00, another inmate clerk and a supervisor cross-check the work order and purchase order to verify the part and price. Work orders and purchase orders are consolidated monthly for billing and payment. The Vocational Training manager reviews completed work orders before MSPI accounting staff complete customer billing and purchase order payment transactions.

Bi-weekly, maintenance staff prepare a summary report for managers and supervisors, which reflects customer work order status (vehicles in-work, completed, or awaiting parts). The report also summarizes work orders for individual customers such as the Ranch or prison security.

Horticulture and meat-cutting activities do not use a work order system. A delivery ticket process similar to the process described previously for dairy products is used.



## **Chapter VI - Vocational Training Program**

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### **Vocational Training Inventory**

Vocational Training has an inventory cage for commonly used automotive, farm equipment, and heavy equipment parts and materials. Parts ordered against a specific work order are also stored in the cage until required. The equipment and vehicle parts inventory value is about \$30,000. A manual card system is used to track items and control inventory. A computer system is used to track inventory dollar value and provides a less detailed backup to inventory cards. Shop supervisors can add items to the inventory. The goal is to use inventory items in less than three months, or only order as necessary. A physical count of inventory is conducted at least twice a year. Supervisor responsibilities include spot checks to verify inventory accuracy.

Horticulture and meat cutting activities maintain their own small inventory of supplies. Supervisors are responsible for inventory levels and the program manager monitors the value through purchase request and expenditure review.

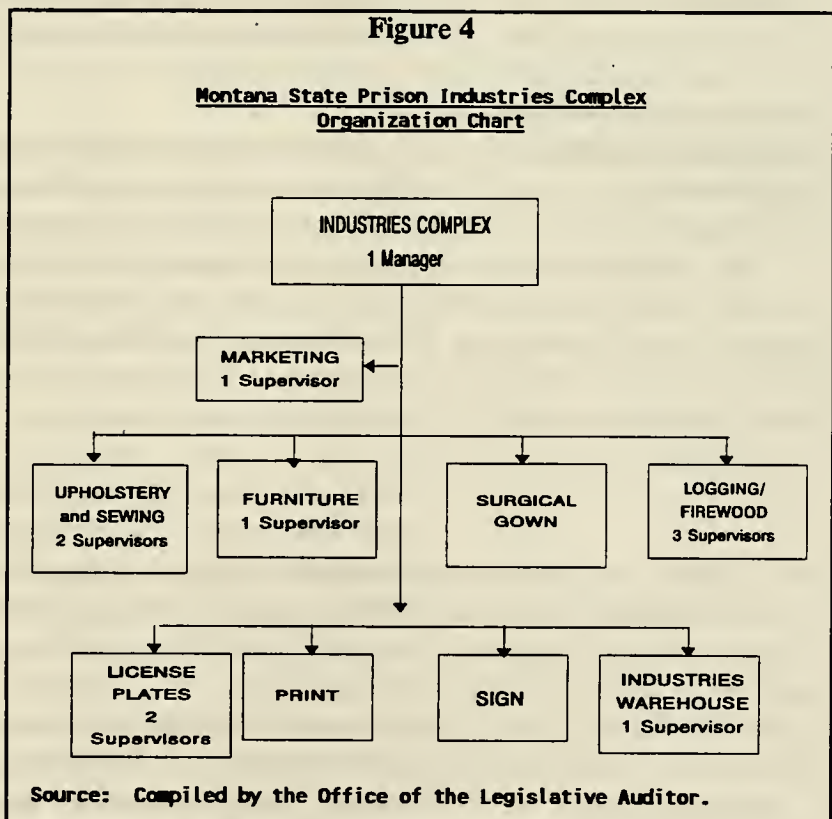
# Chapter VII - Industries Complex Program

## Introduction

This chapter provides information on Industries Complex organization, inmate supervision, shop operations, product marketing and sales, and inventory controls. Industries Complex programs provide production and training work opportunities which generate sales in furniture manufacture, upholstery work, surgical gown manufacture, logging and firewood, license plate manufacture, fencing, printing, and sign-making. The Industries Complex achieved its highest sales ever during fiscal year 1993-94, \$1,560,911.

## Industries Complex Organization

One manager and ten supervisors provide oversight of Industries Complex program activities. The following figure reflects Industries Complex activities and manager and supervisor positions.



## **Chapter VII - Industries Complex Program**

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### **Industries Complex Supervision**

Supervisors work ten-hour days, four days each week. Inmates work ten-hour days, five days each week. As a result, some supervisors are scheduled Monday through Thursday, others Tuesday through Friday. Four supervisors are assigned to furniture, upholstery and sewing, and inventory warehouse activities, all in the same facility. Two additional supervisors are responsible for sign, surgical gown, print, and license plate shops, again all in close proximity in one facility. One logging supervisor covers the firewood project, another supervises field work (road building, tree cutting, thinning, and skidding), and a third supervises logging and truck operations, and fencing projects when scheduled.

### **Supervisors Assign Inmates Based on Demonstrated Skills**

The majority of Industries Complex activities are based on increasing skill levels as training occurs in conjunction with a production assignment. Skills are evaluated during the application and selection process and inmates are not assigned to the lowest grade position if higher skill can be verified. Promotion is based on skill level attainment in most Industries Complex shops.

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### **Industries Complex Operations**

Industries Complex production scheduling is accomplished by individual supervisors who determine product mix and decide the amount of inmate labor necessary to support customer orders. Inmates are scheduled for ten-hour days, five days a week. Inmate work shift hours are normally 7 a.m. to 5 p.m.. Since time to check inmates through security in the morning and evening, plus a lunch break, reduces available time, the production day usually averages about eight hours.

Although seldom used, overtime is based on the backlog of work orders for a shop. One overtime or weekend requirement involves installation of custom design office furniture or panel systems. Inmates can assist with installations, but because of security, supervisors usually accomplish installations.

Firewood preparation is a seasonal operation. Most firewood is split and packaged for sale from October through February. Inmates cut trees and prepare wood for drying throughout the year, depending on weather and field conditions.

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### Production Work Orders

The customer work order process starts with a mail or fax request, a telephone order, or an order taken by the marketing representative. Customers provide product details, particularly for custom furniture and upholstery orders. Staff/inmates prepare a work order from the sales form, attaching customer drawings and materials purchase orders, and customers sign the work order when possible. The program manager reviews work orders to verify the requested product and customer are authorized by statute. Staff also send customers confirmation cards, projecting a delivery date.

Individual shop supervisors schedule work orders into production and monitor progress. A sales backlog tracking system is used to track production progress. When items are manufactured, staff/inmates process a work order complete tag to update the tracking system. Staff/inmates update the tracking system daily and print a spreadsheet summary weekly. The program manager and supervisors use the spreadsheet to help prioritize and schedule work. Spreadsheet categories include: work in progress, work finished and ready for shipment, and products shipped and billed.

In addition to various shop in-process inspections, manufactured items receive quality control inspections by the warehouse supervisor prior to preparation for shipment. An inmate shipping clerk matches finished products with work orders and invoices for shipment to customers. A bill of lading reflects delivery requirements. Deliveries to state agencies are scheduled two or three days each week. Upon delivery, customers sign bills of lading. MSPI accounting staff mail an invoice for billing when shop staff provide completed work orders, associated purchase orders, and bills of lading.

Log sales and firewood are not handled through the standard work order process. Logging of MSP state lands is accomplished in accordance with the Department of State Lands' timber management plan. The state bid process is used for log sales. For fiscal year 1993-94, MSPI harvested approximately 714,000 board feet of timber. The firewood contract calls for semi-trailer loads throughout the winter months. The buyer pays for independent carrier transportation. Procedures and equipment for wrapping firewood



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bundles in clear plastic were developed by inmates and staff and appear to be well accepted.

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### **Product Marketing**

MSPI has developed a product and services marketing plan for Industries Complex products. The current marketing plan was completed in 1992. Since the plan was prepared, new products have been developed and staff believe potential markets have changed, so a revised plan is being developed. One MSPI staff member is responsible for Industries Complex product marketing and sales. Responsibilities also include trade show attendance and new product evaluation.

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### **Market Evaluation is Important for New Products**

When evaluating a new product, the first concern is to determine if authority exists to produce and sell the product. Federal criteria for prison-made products restricts sales across state lines. Staff described compost production as an example of a potential new product. MSPI staff were approached to provide compost, because there does not appear to be a local private sector compost source. MSPI has access to wood and animal waste, plus access to local landfill wastes - all appropriate for compost. Inmate labor could be trained and facility costs are presumed to be minimal. While the department has not decided to proceed, a marketing review is being conducted. Before proceeding with a new product, staff consult the Vocational Training and Education Advisory Council.

Staff emphasized product variation does not generate the same marketing concerns as a completely new product. A decision to offer a different furniture style is an example of product variation, and is necessary to maintain market share.

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### **Furniture and Upholstery Marketing**

Product catalogues and price lists are mailed to state agencies, counties and private sector businesses. Ten regional furniture and upholstery contracts were established to help market furniture and upholstery items; contracts are authorized by statute. These regional contractors (retail furniture dealers) can maintain an inventory of prison-made furniture, but most MSPI sales to these outlets appear to be based on customer orders rather than inventory replenishment. During our survey, we noted most state agencies



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purchase industries products. While statute encourages county and local government sales, frequent contact by a MSPI marketing representative with local purchasing authorities is not practical, and MSPI's ability to compete with local vendors is limited.

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### **Inventory Control**

Industries Complex tracks three types of inventories. One is floor inventories, which are materials and supplies frequently used. Shop policy calls for a two-week supply of these items. These inventories are low dollar value and maintained to support ongoing manufacturing processes. The second type of inventory encompasses materials in the Industries Complex warehouse, where a perpetual inventory of raw materials and supplies is maintained (hardware, plywood, hardwoods, etc). An inmate inventory clerk tracks materials on a card control system. The third type of inventory is finished goods which are stored until sold. Finished goods inventory is not large because shops seldom manufacture just for inventory. A few finished goods accumulate because customers cancel after production has started. These items may be sold to other customers at discounted prices to maintain finished goods inventory at a low level. Quarterly physical inventories are conducted by inmates and verified by staff. During our survey, the total warehouse inventory, including finished goods, was approximately \$600,000.



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